



Staff Report

RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF BELMONT
DECLARING INTENT TO ISSUE TAX INCREMENT BONDS AND APPOINTING A
FINANCIAL ADVISOR, A TAX INCREMENT CONSULTANT AND BOND COUNSEL IN
CONNECTION WITH THE ISSUANCE OF SUCH BONDS

Honorable Chair and Board Members:

Summary

Approval of the attached resolution will allow staff to initiate the process of preparing necessary documentation for the issuance of bonds and engage the services of the bond team, consisting initially of the financial advisor, tax increment consultant and bond counsel (Exhibit 1). At later dates and as appropriately needed, additional consultants may be added to the bond team.

Background

City Council Direction

Last June, the City Council adopted the FY 2008 Budget including a Five-Year program for RDA capital improvements. The Budget contemplated issuance of bonds for purposes of advance refunding existing debt obligations of \$11 million and issuing new bonds of \$23 million to finance Low and Moderate Income (LMI) and other redevelopment projects.

Finance Commission Review

The Finance Commission discussed the project funding at several of their meetings and concurs with engaging a bond team to pursue debt issuance for consideration by the Agency Board.

It is anticipated the Finance Commission will be involved in the review of the bond financing as the specifics of the transaction develop.

Discussion

The Bond Team

Approval of the resolution will authorize staff to assemble the “bond team” and begin the process of preparing the necessary documents, perform the required analyses and make recommendations for issuing the debt.

As stated previously, the bond team would initially begin with selection of financial advisor, tax increment consultant, and bond counsel. Depending on the Agency’s decisions, it may later be

expanded to include other professionals, as needed.

It is staff's recommendation that the Board award the work to Fieldman Rolapp & Associates, as financial advisor, Keyser Marston Associates as tax increment consultant, and Stradling Yocca Carlson & Rauth, as bond counsel. All three firms have performed well for the City and Redevelopment Agency in past transactions.

Fieldman Rolapp will perform a number of services for the Agency, including, but not limited to, preparing the financing plan, recommending bond structure, preparing documents, negotiating terms and conditions of sale, representing the Agency before rating agencies and others for a not to exceed price of \$40,000, exclusive of reimbursable expenses, assuming a competitive sale. A copy of the financial advisor's Scope of Services is attached as Exhibit 2.

As tax increment consultant, Keyser Marston Associates will provide services such as preparation of non-housing and housing fund cash flow projections, preliminary bonding capacity analysis, review and comment on the financial advisor's preliminary bond sizing calculation, preparation of a distribution of taxable value by land use in the Project Area, and preparation of the Fiscal Consultant Report for a not to exceed price of \$24,600, exclusive of reimbursable expenses, assuming a competitive sale. A copy of the tax increment consultant's Scope of Services is attached as Exhibit 3.

Stradling Yocca's responsibilities on this transaction will be to render legal advice, draft applicable resolutions, participate in negotiations, prepare the bonds, issue tax exempt opinions and perform other related services for a not to exceed fee of \$60,000, exclusive of reimbursable expenses. Staff has also received a quote from bond counsel to perform disclosure services, i.e. draft the official statement, for a fee of \$25,000. This latter service is an important part of Stradling Yocca's proposal since attorneys who do not represent the interests of the Agency typically perform this work. A copy of the bond counsel's Scope of Services is attached as Exhibit 4.

Payment of the services of bond counsel and financial advisor are contingent upon issuance of the bonds and come out of bond proceeds.

Applicable Statute and Debt Types

The Health and Safety Code Section 33670 authorizes agencies to issue tax-exempt debt for good public purposes.

Preliminary Financing Details

The schedule below highlights the key financing details as presently proposed. Amounts are approximate:

Preliminary Terms	
Item	Description
Amount	\$33.8 million
Interest Rate Type	Fixed
Interest Rate Yield	5.7%
Term	25 years
Annual Debt Service	\$2.4 million
Call Provision	TBD
Issuance Costs	\$.5 million
AAA Insured	Yes

Please refer to Exhibit 5 for additional details regarding the financing. It bears noting that the final sizing of the bond and scope of the advance refunding will depend on a number of factors, including such variables as interest rate savings, economic feasibility, terms and conditions, market forces and new tax increment capacity.

Tentative Schedule	
Action	Cumulative Days
Retain bond team	30
Finance Commission reviews transaction	120
City Council approves financing documents	150
Publish Notice of Sale	180
Open bids	210
Close transaction and receive funds	240

Risk

Debt financing involves some risk. The most significant risk comes from failure of the tax increment charges to generate adequate revenue to pay the debt service on the bonds. Bond buyers will require the Agency to mitigate this risk by establishing a bond reserve or obtaining insurance. There is also market risk. Markets change dramatically, including significant fluctuations in interest rates. The bond team will endeavor to limit the Agency's exposure to this risk by using appropriate financing strategies.

Commitment

Approval of the attached resolution does not irrevocably commit the Board to this project.

General Plan/Vision Statement

No impact.

Fiscal Impact

The Five Year Capital Improvement Program in the FY 2008 Budget for RDA is \$18 million, of

which \$15 million is contemplated in the next three years.

Assuming a \$33.8 million bond, issuance costs will run approximately 1.5% for a total of \$.5 million. A bond reserve of 9% is planned. Net proceeds from the issue are approximately \$29.5 million.

There are adequate resources within the existing FY 2008 Budget for RDA to approve the debt issue. Annual debt service of \$2.4 million will be programmed into future budget submittals and rate recommendations.

Public Contact

Posting of City Council agenda.

Recommendation

Adopt the Finance Commission's recommendation. Approve resolution of intent to issue sewer revenue bonds and engaging the bond team.

Alternatives

1. With direction, refer the matter back to the Finance Commission for further study.

Attachments

- A. Exhibit 1 - Resolution of the City Council of the City of Belmont stating its intention to issue sewer revenue bonds and appointing a financial advisor and bond counsel in connection with the issuance of such bonds.
- B. Exhibit 2 – Scope of services with financial advisor.
- C. Exhibit 3 – Scope of services with tax increment consultant.
- D. Exhibit 4 - Scope of services with bond counsel.
- E. Exhibit 5 – Financing details.

Respectfully submitted,

Thomas Fil
Finance Director

Jack R. Crist
Executive Director

Staff Contact:

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REDEVELOPMENT AGENCY RESOLUTION NO. _____

**RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF BELMONT
DECLARING INTENT TO ISSUE TAX INCREMENT BONDS AND APPOINTING A
FINANCIAL ADVISOR, A TAX INCREMENT CONSULTANT AND BOND COUNSEL
IN CONNECTION WITH THE ISSUANCE OF SUCH BONDS**

WHEREAS, the Redevelopment Agency Board of Directors (the “Board”), previously declared the necessity to issue tax increment bonds on behalf of the Agency to pay for Low and Moderate Income and redevelopment projects; and,

WHEREAS, the Board desires to confirm such intention and to cause such bonds to be prepared for sale; and,

WHEREAS, the Board desires to appoint Fieldman, Rolapp & Associates (the “Financial Advisor”), as the financial advisor for the public offering of the initial series of the Bonds and has determined in that the initial series of the Bonds shall be sold by a competitive sale pursuant to legal documents to be approved by this Board at a later date; and,

WHEREAS, the Board desires to appoint Keyser Marston Associates as tax increment consultant for the public offering of the initial series of the Bonds; and,

WHEREAS, the Board desires to appoint Stradling, Yocca Carlson & Rauth, San Francisco, California, as bond counsel for the public offering of the initial series of the Bonds;

NOW, THEREFORE, BE IT RESOLVED by the Redevelopment Agency of the City of Belmont, as follows:

1. The above recitals are true and correct.
2. The Board hereby appoints Fieldman, Rolapp & Associates as the Financial Advisor for the Bonds. The form of Financial Advisory Agreement presented at this meeting is hereby approved and the Finance Director of the City, or the written designee of such officer, is hereby authorized to execute such agreement, on a form approved by the City Attorney, with such additions thereto and changes therein as such signatory may approve, such approval to be conclusively evidenced by the execution and delivery of such agreement.
3. The Board hereby appoints Keyser Marston Associates as the Tax Increment Consultant for the Bonds. The form of Tax Increment Consultant Agreement presented at this meeting is hereby approved and the Finance Director of the City, or the written designee of such officer, is hereby authorized to execute such agreement, on a form approved by the City Attorney, with such additions thereto and changes therein as such signatory may approve, such approval to be conclusively evidenced by the execution and delivery of such agreement.

4. The Board hereby appoints Stradling Yocca Carlson & Rauth, a Professional Corporation, as the bond counsel for the Bonds. The form of Bond Counsel Agreement presented at this meeting is hereby approved and the Finance Director of the City, or the written designee of such officer, is hereby authorized to execute such agreement, on a form approved by the City Attorney, with such additions thereto and changes therein as such signatory may approve, such approval to be conclusively evidenced by the execution and delivery of such agreement.

5. The Board hereby directs that the Financial Advisor, Tax Increment Consultant and Bond Counsel prepare all necessary documentation for the issuance of the Bonds.

6. This resolution shall be effective immediately upon its adoption.

* * * * *

I hereby certify that the foregoing Resolution was duly and regularly passed and adopted by the Redevelopment Agency of the City of Belmont at a regular meeting thereof held on April 8, 2008 by the following vote:

AYES, DIRECTORS: _____

NOES, DIRECTORS: _____

ABSTAIN, DIRECTORS: _____

ABSENT, DIRECTORS: _____

APPROVED:

Secretary, Redevelopment Agency

Chair, Redevelopment Agency